

21 September 1983

Background on JamaicaSummary

Prime Minister Edward Seaga's crushing defeat of Michael Manley's regime in the 1980 elections was instrumental in swinging Jamaica away from his predecessor's pro-Cuban stance and firmly into the US camp. Jamaica is seen as the showcase for the United States' Caribbean Basin policy, making the outcome of the next election contest--which must be held by the end of 1985--of much greater concern to the United States than the island's relatively small size and modest role in the world economy would otherwise imply. A Seaga defeat might be viewed by other moderates in the region as sufficient reason to reevaluate the wisdom of embracing a pro-US policy. [REDACTED]

25X1

The Economy

In Jamaica, political fortunes are hinged largely on economic issues, and Seaga has failed to make any perceptible progress in resolving the many economic problems which he promised to eliminate upon his election. Economic recovery had just begun to get under way in 1981, when it sputtered in the face of the continuing world recession last year. As a result, popular support for Seaga--as indicated in recent public opinion polls--has waned seriously. Support for the Jamaican Labor Party slumped to 47 percent in October 1982, the first time the opposition People's National Party had outpolled it since June 1978. Between May 1981 and March 1983, those who believed conditions were getting better shrank from 61 to 32 percent and those who felt things were getting worse jumped from 13 to 44 percent. [REDACTED]

25X1

The Seaga government will face tough challenges as the election date approaches. Continuing balance of payments constraints are narrowing the range of government policy options available to satisfy earlier election promises. Recent cuts in [REDACTED]

25X1

SECRET

government spending will soon begin to ripple through the economy in the form of increased unemployment. Meanwhile, sharply higher import costs are damping private-sector profits and boosting consumer prices. If the economy does not regain some momentum by the end of 1985, Seaga may well go down to defeat. [REDACTED]

25X1

Seaga is not likely to get any good economic news soon. Even if the recent upturn in global economic activity is sustained, it will be late in 1984 before increased demand for the island's bauxite and alumina translates into expanded output and higher foreign exchange earnings. Moreover, the current International Monetary Fund (IMF) program will end in March 1984, net new IMF money is unlikely at that time, and Jamaica will need extensive foreign funding. The trade provisions of the Caribbean Basin Initiative may well stimulate nontraditional exports in the medium to long term, but they are not likely to have a significant impact on economic recovery before the next election. [REDACTED]

25X1

### The Opposition

Meanwhile, the opposition People's National Party, led by former Prime Minister Michael Manley, has begun to revive from its humiliating election defeat of October 1980. The moderate faction of the PNP is on the rise and, for the moment at least, key radical leftists have been eased out of their influential party positions. The eclipse of the radicals will improve the party's standing with voters who, for the most part, are conservative in outlook. Many middle-class voters, who helped give Seaga a 51-to-9 parliamentary advantage in 1980, not only are deserting his party, but are backing Manley's party with money and workers. Reliable public opinion polls taken last month show Manley's party leading in 24 of 36 parliamentary constituencies that were covered. [REDACTED]

25X1

Although Seaga is urging incumbents to spend more time in their constituencies, their efforts are hampered by a lack of funds and by the government's inability to finance local vote-getting projects. Also, the government's recent reinstitution of its program to destroy the marijuana crop, a key source of income for local farmers, could cost Seaga votes. Manley's party, however, is also suffering from organizational problems, and his lead in the polls is primarily a result of voter dissatisfaction with Seaga, rather than a renewal of confidence in the opposition's ability to resolve the island's economic problems. [REDACTED]

25X1

Outlook

To limit violence and deny the opposition time to mend its political fences, the Prime Minister is likely to call elections in early 1985. Seaga's ability to overcome Manley's current lead in the polls and ensure a victory for his party will be tied largely to improved economic performance. At best, taking a variety of factors into consideration, we believe that performance will not be strong enough to provide jobs for new entrants to the labor force, let alone the 30 percent now unemployed. Consequently, we estimate that Seaga now stands no better than an even chance of winning reelection. [REDACTED]

25X1

If Manley were to win the election, he probably would push for more populist economic policies that might jeopardize continuing IMF support. Avoidance of an IMF cutoff and the drastic economic consequences that would ensue will depend largely on the ability of the moderates in the party to sustain their influence. In foreign policy matters, a Manley administration would adopt a leftist posture, reestablish relations with Cuba, allow an expanded Soviet presence on the island, and be hostile toward the United States and critical of its policies in the region. [REDACTED]

25X1